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The Honorable Paul Newman
Commissioner
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Re: Sulphur Springs Valley Electric Cooperative ("SSVEC") – Docket No. E-01575A-08-0328 – Letter dated April 24, 2009 Discussing 1,000 Foot Free Line Extension Policy

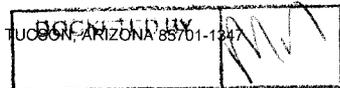
Dear Commissioner Newman,

SSVEC does not offer 1,000 feet of free line extensions. SSVEC instead currently offers a \$1,750 credit for residential line extensions and refundable aid to construction contracts for developers. Under the second scenario, SSVEC provides refunds when the new homes are occupied and connected to the grid. SSVEC is also seeking to eliminate credits in varying amounts for other customer classes relating to distribution line extensions, mobile homes, street light extensions, and extensions for water pumping to name a few.

1. What cost would consumers incur if the Commission were to limit the free footage extension to 500 feet instead of the 1,000 feet?

As indicated above, SSVEC does not currently offer a free footage credit. It is however, seeking to eliminate the \$1,750 credit and the refundable aid to construction contracts. All other things being equal, the impact on customer rates in a subsequent rate case would most likely be lower if a lower credit rather than a \$1,750 credit was instituted, because SSVEC's investment in the line extensions would be lower. The actual cost (impact on rates) would depend on the number of extensions in any given year. Cumulatively, the cost for these extensions up to the \$1,750 credit, when the free footage policy is in place is initially borne by the utility. If the line extension credit is maintained at \$1,750, or some other level, SSVEC (rather than the customer seeking the line extension) would be financing the amount of investment covered by the credit. The actual costs of the line extensions to be financed by SSVEC would not be borne by ratepayers until the conclusion of SSVEC's next rate case.

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2. How many requests for free footage did SSVEC receive over the last five years, by year?

In reviewing SSVEC's response to this letter, it does not appear that SSVEC tracks the number of credits and/or refunds, and only tracks the number of requests for service that are made. According to SSVEC it had 5,500 requests for service over the past five years or approximately 1,100 annually.

3. How many of the requests came from out of state landowners?

According to SSVEC, it does not track requests made by out-of-state landowners.

4. How many of the requests were from developers as opposed to homeowners?

According to SSVEC, it received 40 requests from subdivision developers within the last five years. It appears that this number is included in the 5,500 requests for service mentioned above. It is Staff's understanding that the difference in this case is that the developers would be entitled to a refund, instead of a credit, once the homes are occupied and connected to the grid.

The Staff hopes that this information is responsive to your letter.

Sincerely,



Ernest G. Johnson
Director
Utilities Division

EGJ:WVC/kdh